



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
WARREN COUNTY SHERIFF**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WARREN COUNTY SHERIFF

Calendar Year 2000

The Auditor of Public Accounts has completed the Warren County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five (25%) of fees collected are deposited to the county government fund and quarterly paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The financial statements of the Warren County Sheriff's 75% fund reflect receipts of \$2,998,823 and disbursements of \$2,544,251 resulting in a fund balance of \$355,745 for calendar year 2000. The 25% county government fund had receipts and disbursements of \$332,889 resulting in a zero fund balance.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Michael Buchanon, County Judge/Executive
Honorable Jerry Gaines, Warren County Sheriff
Members of the Warren County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Sheriff of Warren County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2000. These financial statements are the responsibility of the County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Sheriff and the receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Michael Buchanon, County Judge/Executive
Honorable Jerry Gaines, Warren County Sheriff
Members of the Warren County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett". The signature is written in a cursive style with a long horizontal stroke at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 14, 2002

WARREN COUNTY
 JERRY GAINES, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 2000

Receipts

State Grants		\$ 139,277
State Fees for Services		423,335
Circuit Court Clerk		72,009
Fiscal Court		1,677,446
County Clerk		4,225
Commission on Taxes		719,569
Fees Collected for Services:		
Auto Inspections	\$ 42,830	
Serving Papers	118,225	
Carrying Concealed Deadly Weapon Permits	39,585	
Sheriff's Advertising Fees	12,642	
Sheriff's Add-On Fees - 10% of Tax and Penalty	83,058	
Court Costs For Fiscal Court	27,650	323,990
Other Receipts:		
Payoll Reimbursements	\$ 14,955	
Transporting Prisoners	17,324	
Interest Earned	11,786	
Miscellaneous	3,424	
Sheriff's Sale	4,337	51,826
Total Receipts		\$ 3,411,677

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
 JERRY GAINES, SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 Calendar Year 2000
 (Continued)

Disbursements

Payments to State:

Carrying Concealed Deadly Weapon Permits	\$ 26,908
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Other Disbursements:

Court Costs To Fiscal Court	27,650
Transporting Prisoners	14,948
Payroll Reimbursements	4,529
Refunds	434
Bank Charges	119
Miscellaneous	1,105
Jury Expenses	196
Sheriff's Sale	<u>4,076</u>

Total Disbursements	<u>\$ 79,965</u>
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Net Receipts	\$ 3,331,712
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Payments to State Treasurer:

75% Operating Fund	\$ 2,998,823	
25% County Fund	<u>332,889</u>	<u>3,331,712</u>

Balance Due at Completion of Audit	<u><u>\$ 0</u></u>
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The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
 JERRY GAINES, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER

Calendar Year 2000

	Operating Fund	County Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
Fund Balance - January 1, 2000	\$ (98,827)	\$	\$ (98,827)
 <u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	2,998,823		2,998,823
Fees Paid to State - County Funds (25%)		332,889	332,889
	<u> </u>	<u> </u>	<u> </u>
Total Funds Available	\$ 2,899,996	\$ 332,889	\$ 3,232,885
 <u>Disbursements</u>			
Warren County Government	\$	\$ 332,889	\$ 332,889
Personal Services-			
Official's Statutory Maximum	76,250		76,250
Official's Training Incentive	1,448,629		1,448,629
Deputies' Salaries	1,375		1,375
Overtime Salaries	152,838		152,838
Employee Benefits-			
Employer's Share Social Security	122,086		122,086
Employer's Share Retirement	115,302		115,302
Employer's Paid Health Insurance	147,605		147,605
Unemployment Insurance	4,687		4,687
Contracted Services-			
Advertising	10,973		10,973
Materials and Supplies-			
Materials and Supplies	21,819		21,819
Uniforms	25,456		25,456
Other Charges-			
Training and Travel	38,229		38,229
Telephones, Fax, and Cellular Phones	44,002		44,002
Postage	15,681		15,681

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
 JERRY GAINES, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE
 SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER
 Calendar Year 2000
 (Continued)

	75% Operating Fund	25% County Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
<u>Disbursements (Continued)</u>			
Other Charges - (Continued)			
Law Enforcement Equipment	\$ 64,510	\$	\$ 64,510
CRT Team	22,775		22,775
Bond	2,969		2,969
Computer Software and Upgrade	65,325		65,325
Computer Maintenance and Support	15,089		15,089
Law Enforcement Insurance	3,315		3,315
Radio Maintenance and Repairs	6,853		6,853
Subscription Renewal and Fees	1,661		1,661
Miscellaneous	1,373		1,373
Auto Expenses-			
Gasoline	66,302		66,302
Maintenance and Repairs	47,088		47,088
Lease Vehicle	4,276		4,276
Capital Outlay-			
Office Equipment	<u>17,783</u>		<u>17,783</u>
Total Disbursements	<u>\$ 2,544,251</u>	<u>\$ 332,889</u>	<u>\$ 2,877,140</u>
Fund Balance - December 31, 2000	<u>\$ 355,745</u>	<u>\$ 0</u>	<u>\$ 355,745</u>

The accompanying notes are an integral part of the financial statements

WARREN COUNTY
JERRY GAINES, SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WARREN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2000
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent for the first six months and 7.17 percent for the last six months of the calendar year. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent for the first six months and 16.78 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deferred Compensation

On February 24, 2000, the Warren County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is present in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report.

WARREN COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2000
 (Continued)

Note 4. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of January 14, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 5. Lease

The Office of the County Sheriff is committed to a lease agreement with Fifth Third Bank for a 1999 Toyota Four Runner. The agreement requires a monthly payment of \$386 for 36 months to be completed on December 1, 2001. The total balance of the agreement is \$4,626 as of December 31, 2000.

Note 6. Reimbursed Expenses

The amount deposited to the County Sheriff's Operating Funds (75%) with the State Treasurer included reimbursed expenses. The reimbursed expenses include payments from the state and county in addition to miscellaneous revenues. The following amounts totaling \$2,000,158 were reimbursed expenses, which were 100% credited to the Expense Fund (75%):

Kentucky Law Enforcement Program Fund	\$ 136,007
Payroll Reimbursement	13,688
Fiscal Court Assistance	1,671,709
Refunds	1,373
Grant Funds	5,686
100% Fees	<u>171,695</u>
Total Reimbursed Expenses	<u><u>\$ 2,000,158</u></u>

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Members of the Warren County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Warren County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated February 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Warren County Sheriff's financial statements as of December 31, 2000, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Warren County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett, Jr.", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 14, 2002

